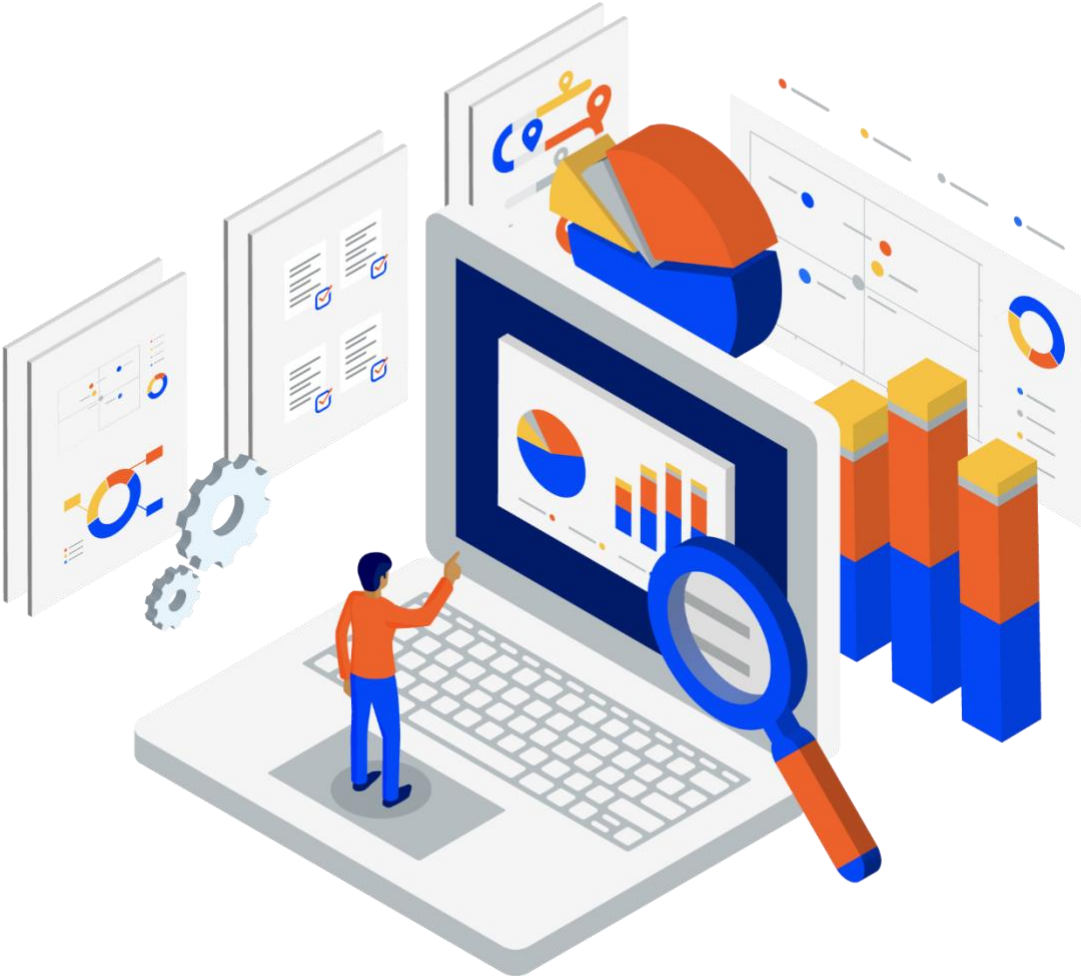


Data Analytics for Ethics and Compliance

5 Simple Steps to Get You Started



Data Analytics for Ethics and Compliance

In their *Evaluation of Corporate Compliance Programs*, the United States Department of Justice (“DOJ Guidance”) highlights the importance of data analytics when evaluating the effectiveness of ethics and compliance programs. In response, many Chief Ethics and Compliance Officers (CECOs) have set out on a journey to provide better data and better metrics for their ethics and compliance programs.

For many CECO’s however, building data analytics into their ethics and compliance program can seem a daunting task. Many CECO’s are asking themselves:

- “Where do I begin?”
- “What resources and skill sets do I need?”
- “What metrics are most important to capture?”
- “How is progress measured?”
- “What tools can help us?”

In working with our customers, we have identified five simple steps any organization can take to get their data analytics journey off on the right foot. The steps below are cumulative – each one builds on the other - bringing together your data and your metrics while giving you and your team greater visibility into your program and your ethics and compliance risks. The key thing to remember is that integrating data analytics into your program is a journey, it is not a one-and-done project nor just a matter of implementing a new software solution. It requires resources, focus, engagement, commitment, and most of all...patience.

STEP 1 – Make Data Analytics a Priority

Many CECO’s talk about wanting better data and metrics, but only those who make data analytics a priority and resource it appropriately are likely to be successful. The journey requires both human and technology resources inside and outside of the compliance department. To be clear, the ethics and compliance team must own their data analytics journey and lay out a strategy for getting there. Of course, you want to ensure that you have the support from key stakeholders such as your IT department, your compliance program vendors, and, most importantly, from senior leadership. This support and commitment will help to ensure that your journey is successful.

STEP 2 – Create a Data Analytics Road Map

Once it is a priority, the next step is to create a data analytics strategy – a road map for getting from where you are today to where you want to be in the future. This starts with an inventory of your current data sources and data uses. A data road map visualizes your data flows and helps identify opportunities for consolidation and improvement. For example, we often see the same compliance data residing in separate systems and, in many cases, in multiple spreadsheets and other documents. One approach to building your road map is to use the Lean/Agile concept of

Value Stream Mapping. Value Stream Mapping offers a way to help you and your team visualize your compliance workflows (inputs and outputs) at a high level. With this visibility, creating a strategy and road map will help guide you on your data analytics journey.

STEP 3 – Clean-Up and Align Your Data

This is probably the most important step in your journey as your data analytics will only be as good as the health of your data. A few simple questions to ask: Is your data consistent? Is it accurate and is it complete? If the answer to any of these questions is “no” then, you have some work to do before taking the next step.

While inconsistent data can certainly be mapped (typically at a significant cost), your data analytics journey will be much easier if certain key data points are consistent across systems. For example, we often see multiple versions of a company’s business units or even regions (and their associated countries). These differences create problems when trying to compare or combine data across the organization. To the extent key data points can be standardized across systems, the quality of your data and metrics will be vastly improved.



Below are some examples of different country spellings and abbreviations we often see. Which is correct and which should be used for your data analysis?

United States of America
 United States
 USA
 US

South Korea
 Republic of Korea
 Korea

Czech Republic
 Czechia

Misspellings can present challenges as well. Most importantly, missing or incomplete data is a significant problem area for many companies. This is where the Lean/Agile concept known as “standard work” can help. By standardizing your data collection (an area where technology can and should play a role), you can minimize misspellings and drive consistent data across your systems, thereby facilitating your data collection and analysis.

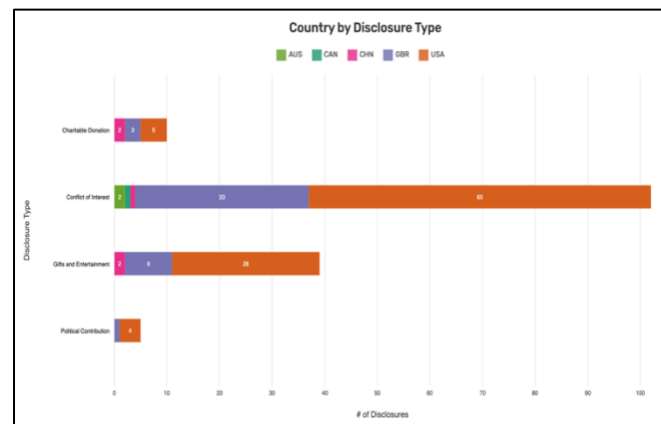
STEP 4 – Define Your Metrics

Now that you’ve standardized and cleaned your data and you know where your data is coming from and where it is going, it is time to start to define what data and what metrics you want to capture and analyze. This requires you to identify and bring together common data elements across your program. There are several key questions that can help guide you in this analysis:

- How are you going to analyze and report on your data?
- Who is going to use your data and how will they act on it?
- What is relevant for your organization (business unit, country, or region)?
- Is it possible to compare and/or correlate data points from different parts of your program?
- How do you create apples-to-apples comparisons?
- Can you evaluate your metrics on a “rate” basis (i.e., per million of revenue or per hundred employees)?
- What metrics and information do you want to convey?

Through this process you can identify key metrics for your organization. For example, does the company see an uptick in reported Hotline cases following your annual code of conduct training? Are you able to analyze your data along demographic lines, such as geography, gender, job role and job tenure?

Finally, consider placing all of your metrics on a rate basis, so that you can compare apples-to-apples benchmarking both inside and outside of your organization. Consider using “rate per hundred,” “rate per thousand,” or “rate per million” for both headcount and revenue. Putting data and metrics on a rate basis will be much more meaningful for your stakeholders.

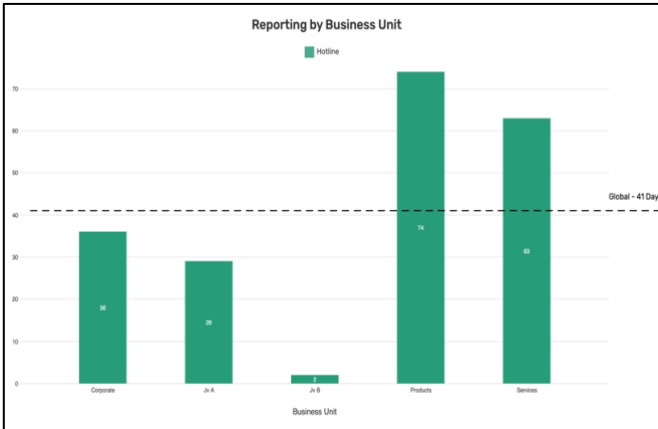


STEP 5 – Visualize Your Data

The last step brings it all together by visualizing your data. Deciding how best should you present your data to your key stakeholders. This is where experimentation is key. Data visualization is all about telling a story and how best to tell that story in as few charts and graphs as possible. What is the best visual format for your program’s metrics? Here are just a few examples:

- Tables
- Horizontal/Vertical Bar Charts
- Donut Charts
- Pie Charts

- Line Charts
- Maps



Consider combining chart types. For example, a vertical bar chart combined with a line chart can convey multiple messages at the same time. Also consider using moving averages for point-in-time (daily, weekly, monthly or quarterly) data. Moving averages smooth out the spikes and valleys inherent in any data set and provide a clearer picture of trends.

Avoiding Common Pitfalls

While it may seem difficult to get started, taking these five simple steps will get you well on your way to implementing your data analytics program. We have also identified several obstacles that prevent compliance teams from achieving their full data analytics goals and objectives.

Garbage in, garbage out. Failing to clean-up your data from the beginning will have lasting consequences. Not only will it corrupt your analytics, it will cause immense frustration for you and your team. Data standardization and cleansing is paramount to any successful data analytics journey.

Don't let perfect be the enemy of good. Too often, we see customers overcomplicate their data analytics vision and goals. Requirements and expectations can become overly complex, technologically unachievable, and cost-prohibitive for many. Our recommendation is to start simple and build on your successes. Experiment, and be open to failure. This approach is at the heart of a Lean/Agile process that delivers incremental, but measurable, benefits while providing the ability to pivot or change course as needed. You do not need to do everything at once, consider starting with a specific compliance area or two and build from there.

We can just outsource our data analytics. A common misperception is that your data analytics journey can be easily outsourced to the IT department or to a software vendor. While these groups certainly have a key role to play in your data analytics program, they are not the complete solution. The ethics and compliance team must take ownership and have direct engagement throughout the entire journey.

There is no single compliance metric. No single metric is going to tell you everything you need to know about the health and effectiveness of your ethics and compliance program. A robust approach to data analytics will combine data from multiple sources and focus on a small group of meaningful metrics that tell a story. Visualization and experimentation are key. A robust

data analytics program should include both leading and lagging indicators. Too often compliance programs rely solely on lagging indicators versus leading indicators. Constantly ask yourself, is this metric meaningful?

Data analytics is a journey, not a destination. As your company and your program evolves, so too will your data and your approach to data analytics. Be flexible and be prepared to make changes along the way. Data analytics is a journey, not a destination. An effective ethics and compliance program is your destination and a simple, yet robust, approach to data analytics can help you get there.

Final Thoughts

Taking these five simple steps and avoiding the common pitfalls can help start you on your data analytics journey. As the DOJ Guidance points out “A company’s business changes over time, as do the environments in which it operates, the nature of its customers, the laws that govern its actions, and the applicable industry standards.” The hallmark of an effective ethics and compliance program is its capacity to improve and evolve. Data analytics can be a part of that evolution.

To learn more about informed360 and how we can help you on your data analytics journey, email us at info@informed360.com or learn more at www.informed360.com.

About Us

informed360 was created by experienced compliance and technology professionals to address the increasing expectations and requirements of today’s ethics and compliance programs.

informed360's suite of highly configurable solutions helps organizations automate their compliance program, connects people and data, and simplifies reporting and analysis – all in a secure, cloud-based environment. From risk assessments and disclosures to action plans and reporting, informed360 improves compliance workflows, optimizes resources and reduces risk.